COMMUNITY AND FAMILY RESOURCES AND THE RICHMOND CENTER

INDEPENDENT AUDITOR'S REPORT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

C O N T E N T S

BOARD OF DIRECTORS

NAME	POSITION
Board Members	
Jim Gill	President
Myron Amdahl	Member
Al Treloar	Member
Jerry Haverly	Member
Kerry Burmeister	Member
Dean Hoag	Member
Louis Stauter	Member
Clark Fletcher	Member
Doug Bailey	Member
Harvey Terpstra	Member
Carl Bergstrom	Member
Organization Officials	
John Hostetler	Executive Director
Pam Barkley	Controller
Michelle DeLaRiva	Clinical Director

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community and Family Resources and The Richmond Center
Fort Dodge, Iowa

We have audited the accompanying combined statement of financial position of Community and Family Resources and The Richmond Center, as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Community and Family Resources and The Richmond Center at June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2013 on our consideration of Community and Family Resources and The Richmond Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information included in the Schedule of Expenditures of Federal Awards, required by U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements.

The supplemental information, including the Schedule of Expenditures of Federal Awards, has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Schnurr & Company, LLP

Fort Dodge, Iowa
February 25, 2013

COMMUNITY AND FAMILY RESOURCES **Exhibit A**
AND THE RICHMOND CENTER

COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS		
Current Assets:		
Cash	$	174,292
Certificates of deposit		4,819
Accounts receivable, net		1,069,625
Prepaid expenses		6,404
Total current assets		1,255,140
Property and Equipment:		
Land		255,737
Buildings		1,427,485
Equipment		1,601,774
Vehicles		79,252
		3,364,248
Less accumulated depreciation		1,914,106
		1,450,142
Total assets	$	2,705,282
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current maturities of long-term debt	$	56,022
Accounts payable		88,635
Accrued salaries		122,072
Accrued paid time off		154,278
Accrued payroll taxes and benefits		33,983
Accrued expenses		5,185
Total current liabilities		460,175
Long-term debt, net		622,807
Net Assets:		
Unrestricted		1,600,496
Temporarily restricted		21,804
Total net assets		1,622,300
Total liabilities and net assets	$	2,705,282

See Notes to Combined Financial Statements.

COMMUNITY AND FAMILY RESOURCES AND THE RICHMOND CENTER **Exhibit B**

COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Grants	$ 2,931,753	$ -	$ 2,931,753
Medicaid	1,049,333	-	1,049,333
County contributions	304,602	-	304,602
City contributions	8,408	-	8,408
Other contributions	25,461	17,298	42,759
Client private pay	186,854	-	186,854
Client third-party pay	1,520,663	-	1,520,663
OWI	88,840	-	88,840
Evaluations	23,194	-	23,194
Miscellaneous	120,184	-	120,184
Interest	219	16	235
Contributed facilities and services	3,108	-	3,108
Total revenue and support	6,262,619	17,314	6,279,933
Net assets released from restrictions	9,519	(9,519)	-
Expenditures:			
General and administrative	1,488,251	-	1,488,251
Residential	1,090,614	-	1,090,614
Special programs	534,501	-	534,501
Outpatient	1,380,823	-	1,380,823
Outreach	370,262	-	370,262
Psychiatry	563,057	-	563,057
Therapy	736,586	-	736,586
Prevention	450,305	-	450,305
Total expenditures	6,614,399	-	6,614,399
Increase (decrease) in net assets	(342,261)	7,795	(334,466)
Net assets at beginning of year	1,942,757	14,009	1,956,766
Net assets at end of year	$ 1,600,496	$ 21,804	$ 1,622,300

See Notes to Combined Financial Statements.

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

		Residential		Special Programs	
	General and Administrative	Adult Residential and Detox	Recovery and Transition House	STARS Program (Adolescent Treatment)	Gambling (Treatment, Education and Housing)
Operating Expenses:					
Salary	$ 484,093	$ 519,809	$ 28,227	$ 352,520	$ 12,802
FICA/Medicare	40,696	42,653	3,812	8,277	186
Workers compensation	8,282	8,641	819	1,910	47
Unemployment	9,832	10,133	1,038	2,585	76
Health insurance	26,763	28,467	2,267	3,734	106
IPERS	45,472	47,513	4,109	8,456	171
Dues, fees and memberships	-	1,531	119	1,074	53
Subscriptions/publications	-	218	331	149	-
Food/groceries	-	63,236	21,941	19,262	-
Medical supplies	-	4,270	120	291	-
Program supplies	313	8,278	10,804	3,673	152
Office supplies	-	8,167	638	1,622	60
Operating supplies/non food	8,391	13,743	2,238	5,099	62
Postage	382	1,474	122	1,043	46
Meetings	-	605	45	-	3
Advertising/promotional items	-	5,237	309	18	31
Depreciation	133,960	19,474	11,426	-	-
Computer hardware, software, maintenance	-	13,829	915	10,043	27
Building repairs/maintenance	28	15,940	6,989	7,880	177
Office repairs/maintenance	-	6,318	554	1,434	80
Office/space rental	-	-	-	16,068	425
Utilities	-	27,573	9,508	10,316	546
Telephone	-	40,496	15,306	35,926	620
Insurance	29,060	-	-	1,291	-
Property tax	1,003	-	186	-	-
Contracted services	-	55,266	4,607	13,555	11
Recruiting expenses	5,636	3,075	29	1,010	19
In-state travel	-	6,171	236	2,759	1,209
Out-of-state travel	2,122	-	-	-	-
Staff development training	3,275	769	-	630	350
Tuition reimbursement	570	1,000	804	2,000	-
Meals	1,466	242	20	147	29
Vehicle expense	-	4,792	1,462	4,371	52
Lodging and other travel costs	443	150	-	-	-
Interest allocation	20,857	-	-	-	-
Miscellaneous expense	302	2,379	184	13	5
	$ 822,946	$ 961,449	$ 129,165	$ 517,156	$ 17,345

See Notes to Combined Financial Statements.

Exhibit C

Community and Family Resources									The Richmond Center					
Outpatient														
Fort Dodge	Ames	Boone	Webster City	Rockwell City	Pocahontas	Humboldt	Clarion	Prevention	General and Administrative	Outreach	Psychiatry	Therapy	Prevention	Total
$ 288,204	$ 306,908	$ 43,771	$ 52,201	$ 9,692	$ 9,920	$ 9,793	$ 7,169	$ 147,571	$ 498,712	$ 199,382	$ 157,633	$ 526,363	$ 110,747	$ 3,765,517
25,038	24,043	3,930	4,543	985	981	988	1,108	12,086	38,269	15,300	12,096	40,391	8,498	283,880
5,224	5,002	808	926	206	204	206	248	2,464	10,264	4,104	3,244	10,833	2,279	65,711
6,402	6,182	896	1,185	254	252	255	317	2,998	15,826	6,327	5,002	16,703	3,514	89,777
15,966	15,436	2,601	3,017	626	626	627	580	7,912	15,704	6,278	4,964	16,575	3,487	155,736
27,396	26,406	4,345	5,026	1,078	1,075	1,080	1,171	13,383	34,625	13,843	10,944	36,545	7,689	290,327
889	1,065	421	178	31	36	35	12	450	-	373	331	-	-	6,598
181	253	16	273	4	4	4	1	368	2,997	-	171	-	-	4,970
-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,439
88	-	-	-	-	-	-	-	-	-	-	376	-	-	5,145
20,040	24,637	2,687	4,715	69	-	-	1,069	13,236	-	1,542	656	52	674	92,597
4,157	4,225	1,243	452	13	18	13	13	1,232	-	1,612	8,314	649	442	32,870
2,472	1,980	1,034	589	-	64	-	30	654	-	5,168	6,660	1,812	-	49,996
860	6,496	505	178	31	32	32	30	521	-	624	2,585	89	23	15,073
319	312	50	65	13	13	13	11	187	-	66	14	-	-	1,716
2,528	6,989	2,813	704	80	159	159	242	1,382	-	9,855	3,199	295	-	34,000
781	13,390	-	-	-	-	-	-	-	-	-	29,960	-	-	208,991
6,014	5,825	945	1,329	237	224	225	237	4,664	-	907	20,768	156	-	66,345
6,718	8,640	506	1,296	-	-	73	935	1,767	-	521	6,219	-	-	57,689
2,461	1,359	-	401	-	-	-	-	1,122	-	3,302	9,813	-	-	26,844
41,400	3,447	2,625	2,125	1,832	2,955	2,535	3,784	6,400	-	38,856	1,922	-	-	124,374
14,112	13,252	147	2,729	990	821	577	2,415	10,443	-	4,462	13,303	-	-	111,194
21,630	24,423	7,213	5,966	4,171	6,685	6,412	3,878	16,023	-	18,376	75,893	-	280	283,298
-	-	-	-	-	-	-	-	-	18,156	10,596	545	-	-	59,648
2,099	-	-	-	-	-	-	-	-	-	-	-	-	-	3,288
41,215	32,357	4,058	3,275	629	633	635	522	37,482	33,427	6,321	176,321	85,274	425	496,013
348	2,856	141	90	-	-	-	-	612	-	1,421	3,203	124	-	18,564
4,985	3,089	357	547	139	79	80	530	6,350	-	3,246	5,543	506	3,688	39,514
-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,122
788	1,502	12	375	31	-	-	123	5,621	-	890	1,746	205	1,997	18,314
1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	5,374
280	103	44	29	4	2	2	23	1,143	-	76	644	14	386	4,654
1,254	1,667	220	260	52	52	53	47	5,690	-	16,509	492	-	-	36,973
456	-	-	-	-	-	-	-	3,169	-	-	-		576	4,794
-	22,164	-	-	-	-	-	-	-	-	-	-	-	-	43,021
1,307	1,406	233	236	49	33	35	55	599	(2,675)	305	496	-	71	5,033
$ 546,612	$ 565,414	$ 81,621	$ 92,710	$ 21,216	$ 24,868	$ 23,832	$ 24,550	$ 305,529	$ 665,305	$ 370,262	$ 563,057	$ 736,586	$ 144,776	$ 6,614,399

COMMUNITY AND FAMILY RESOURCES
THE RICHMOND CENTER

Exhibit D

COMBINED STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

Cash Flows from Operating Activities	
(Decrease) in net assets	$ (334,466)
Adjustment to reconcile (decrease) in net assets to	
net cash (used in) operating activities:	
Depreciation	208,991
Effect of changes in:	
Accounts receivable	(102,516)
Prepaid expenses	9,702
Accounts payable	26,837
Accrued salaries	5,911
Accrued personal time off	48,677
Accrued payroll taxes and benefits	1,170
Accrued expenses	(8,247)
Net cash (used in) operating activities	(143,941)
Cash Flows from Investing Activities	
Purchase of certificates of deposit	(55)
Purchase of property and equipment	(14,390)
Net cash (used in) investing activities	(14,445)
Cash Flows from Financing Activities	
Principal payments on long-term borrowings	(36,058)
Net cash (used in) financing activities	(36,058)
Net (decrease) in cash	(194,444)
Cash:	
Beginning	368,736
Ending	$ 174,292
Supplemental Disclosure of Cash Flow Information:	
Cash payments for:	
Interest	$ 43,164

See Notes to Combined Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Community and Family Resources is a nonprofit corporation that was established in 1968. The purpose of the Organization is to increase understanding, to alleviate the damage, and to reduce the incidence of alcoholism. The Organization operates treatment facilities in northwestern and central Iowa offering outpatient, residential, and detoxification services to persons experiencing problems in living due to alcoholism and other chemical dependencies. Community and Family Resources is funded by federal, state, county, and local governments as well as private payments from patients.

The Richmond Center is a non-profit corporation providing mental health services which include outpatient mental health, community and support, consultation, education, and psychiatric services for the residents of Story, Boone, Greene and Carroll counties.

The financial statements combine Community and Family Resources and The Richmond Center, which share the same Board of Directors. In addition, The Richmond Center is financially dependent on Community and Family Resources.

Significant accounting policies:

A summary of the Organization's significant accounting policies is as follows:

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of combination: The accompanying combined financial statements include the accounts of Community and Family Resources and The Richmond Center (collectively the "Organization"). All material related party balances and transactions have been eliminated in combination.

Contributions and donor restricted funds: The Organization reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions not restricted by donors are recorded as revenue in the unrestricted fund.

Certificates of deposit: Certificates of deposit are carried at cost that approximates market value.

Accounts receivable: Accounts receivable, with the exception of private client pay, are recorded on the accrual basis of accounting. Private client pay is recognized as income in the period in which it is received due to the uncertainty of collection. The Organization uses the allowance method of recording bad debts. The allowance for bad debts is $592,678 at June 30, 2012.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant accounting policies (continued):

Property and equipment: Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is computed using the straight-line method based on the following useful lives:

	Years
Buildings	5-39
Equipment	5-20
Vehicles	5

Contributed facilities and services: The Organization occupies without charge certain premises and receives certain services. The estimated fair value of these premises and services is reported as support and expense in the period in which the premises and services are used.

A large number of volunteers have given significant amounts of their time to the Organization's programs; however, no amounts have been recognized in the financial statements for volunteer time since no objective basis is available to measure the value of such services.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2012 was $34,000.

Income taxes: Both Organizations are non-profit corporations exempt from income taxes under § 501(c)(3) of the Internal Revenue Code.

Subsequent events: Subsequent events have been evaluated through February 25, 2013, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Notes Payable

Long-term debt consists of the following as of June 30, 2012:

6.38% note payable to First National Bank, due in monthly installments of $5,140 through October 2015. The note is secured by real estate and business assets.	$	642,034
3.90% note payable to American Honda Finance Corporation, due in monthly installments of $522 through September, 2013. The note is secured by an automobile.		8,183

Note 2. Notes Payable (Continued)

Non-interest bearing forgivable loan with the City of Ames. Subsequent to year-end the City forgave the loan in exchange for payment of a billing adjustment in the amount of $5,784.	$	25,000
3.90% note payable to Nissan Motor Acceptance Corporation, due in monthly installments of $367 through May, 2013. The note is secured by an automobile.		3,612
		678,829
Less: current maturities		56,022
	$	622,807

Aggregate maturities required on notes payable as of June 30, 2012, are due in future years as follows:

Year ending June 30,		
2013	$	56,022
2014		24,902
2015		24,260
2016		573,645
2017		-
Thereafter		-
	$	678,829

Note 3. Leases

The Organization leases office space for outpatient facilities in several cities in Central Iowa. The lease agreements are on a month-to-month basis and are cancelable should government funding no longer be available. The Organization does lease one facility under a noncancellable operating lease, which expires December, 2013.

Year ending June 30,		
2013	$	10,200
2014		5,100
	$	15,300

Total rent expense for the year ended June 30, 2012 was $124,374.

Note 4. Support From Governmental Units

The Organization receives a substantial amount of its support from the federal government, the State of Iowa, and various local counties. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Note 5. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 6. Pension and Retirement Benefits

The Organization contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the Organization is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The Organization’s contribution to IPERS for the year ended June 30, 2012 was $290,327, equal to the required contributions for each year.

Note 7. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

Note 8. Restricted Net Assets and Assets Released from Restrictions

Temporarily restricted net assets of $21,804 were available for the special needs program for clients with financial needs. Temporarily restricted net assets consisted of cash at June 30, 2012. $9,519 of temporarily restricted net asets were released from restriction for year ended June 30, 2012 for the purpose of financial needs within the special needs program.

SUPPLEMENTAL INFORMATION

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Contract Number	Expenditures
Department of Health and Human Services:			
Iowa Department of Public Health:			
Comprehensive Substance Abuse Prevention	93.959	5882CP15	$ 90,431
Access to Recovery	93.275	5881AC25	89,217
Mental Health Block Grant	93.958	MHDS-11-081	89,785
Targeted Capacity Expansion Program for Substance Abuse Treatment	93.243	5888CP15	72,087
Magellan Behavioral Health, Inc.:			
Substance Abuse Prevention and Treatment Block Grant	93.959		710,001
Iowa Finance Authority:			
Emergency Shelter Grant Agreement	14.231		12,000
Department of Homeland Security:			
Iowa Department of Human Services:			
Crisis Counseling Services	97.032	MHDS-11-100	45,431
			$ 1,108,952

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Community and Family Resources and The Richmond Center and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

See Accompanying Independent Auditor's Report.

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

COMBINING SCHEDULE OF STATEMENT OF FINANCIAL POSITION
June 30, 2012

	Community and Family Resources	The Richmond Center	Sub-total
ASSETS			
Current Assets:			
Cash	$ 88,981	$ 85,311	$ 174,292
Certificates of deposit	4,819	-	4,819
Accounts receivable, net	1,651,818	546,607	2,198,425
Prepaid expenses	3,414	2,990	6,404
Total current assets	1,749,032	634,908	2,383,940
Property and Equipment:			
Land	255,737	-	255,737
Buildings	1,259,153	168,332	1,427,485
Equipment	1,351,211	250,563	1,601,774
Vehicles	-	79,252	79,252
	2,866,101	498,147	3,364,248
Less accumulated depreciation	1,645,626	268,480	1,914,106
	1,220,475	229,667	1,450,142
Total assets	$ 2,969,507	$ 864,575	$ 3,834,082
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current maturities of long-term debt	$ 31,022	$ 25,000	$ 56,022
Accounts payable	72,841	1,144,594	1,217,435
Accrued salaries	72,446	49,626	122,072
Accrued paid time off	125,042	29,236	154,278
Accrued payroll taxes and benefits	33,983	-	33,983
Accrued expenses	5,185	-	5,185
Total current liabilities	340,519	1,248,456	1,588,975
Long-term debt, net	622,807	-	622,807
Net Assets:			
Unrestricted	2,003,681	(403,186)	1,600,496
Temporarily restricted	2,500	19,304	21,804
Total net assets	2,006,181	(383,881)	1,622,300
Total liabilities and net assets	$ 2,969,507	$ 864,575	$ 3,834,082

See Accompanying Independent Auditor's Report

Schedule 2

Eliminations	Total
$ -	$ 174,292
-	4,819
(1,128,800)	1,069,625
-	6,404
(1,128,800)	1,255,140
-	255,737
-	1,427,485
-	1,601,774
-	79,252
-	3,364,248
-	1,914,106
-	1,450,142
$ (1,128,800)	$ 2,705,282
$ -	$ 56,022
(1,128,800)	88,635
-	122,072
-	154,278
-	33,983
-	5,185
(1,128,800)	460,175
-	622,807
-	1,600,496
-	21,804
-	1,622,300
$ (1,128,800)	$ 2,705,282

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

COMBINING SCHEDULE OF STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Community and Family Resources	The Richmond Center	Sub-total
Revenue and Support:			
Grants	$ 2,701,823	$ 229,930	$ 2,931,753
Medicaid	706,666	342,667	1,049,333
County contributions	67,652	236,950	304,602
City contributions	8,028	380	8,408
Other contributions	16,946	25,813	42,759
Client private pay	165,444	21,410	186,854
Client third-party pay	489,215	1,031,448	1,520,663
OWI	88,840	-	88,840
Evaluations	23,194	-	23,194
Miscellaneous	31,317	88,867	120,184
Interest	129	106	235
Contributed facilities and services	3,108	-	3,108
Total revenue and support	4,302,362	1,977,571	6,279,933
Expenditures:			
General and administrative	822,946	665,305	1,488,251
Residential	1,090,614	-	1,090,614
Special programs	534,501	-	534,501
Outpatient	1,380,823	-	1,380,823
Outreach	-	370,262	370,262
Psychiatry	-	563,057	563,057
Therapy	-	736,586	736,586
Prevention	305,529	144,776	450,305
Total expenditures	4,134,413	2,479,986	6,614,399
Increase (decrease) in net assets	167,949	(502,415)	(334,466)
Net assets at beginning of year	1,838,232	118,534	1,956,766
Net assets at end of year	$ 2,006,181	$ (383,881)	$ 1,622,300

See Accompanying Independent Auditor's Report

Schedule 3

Eliminations		Total	
$	-	$	2,931,753
	-		1,049,333
	-		304,602
	-		8,408
	-		42,759
	-		186,854
	-		1,520,663
	-		88,840
	-		23,194
	-		120,184
	-		235
	-		3,108
	-		6,279,933
	-		1,488,251
	-		1,090,614
	-		534,501
	-		1,380,823
	-		370,262
	-		563,057
	-		736,586
	-		450,305
	-		6,614,399
	-		(334,466)
	-		1,956,766
$	-	$	1,622,300

COMMUNITY AND FAMILY RESOURCES
THE RICHMOND CENTER

COMBINING SCHEDULE OF STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

	Community and Family Resources	The Richmond Center	Sub-total
Cash Flows from Operating Activities			
Increase (Decrease) in net assets	$ 167,949	$ (502,415)	$ (334,466)
Adjustment to reconcile increase (decrease) in net assets to net cash (used in) operating activities:			
Depreciation	179,031	29,960	208,991
Effect of changes in:			
Accounts receivable	(555,520)	(344,473)	(899,993)
Prepaid expenses	5,434	4,268	9,702
Accounts payable	28,694	795,620	824,314
Accrued salaries	2,694	3,217	5,911
Accrued personal time off	56,626	(7,949)	48,677
Accrued payroll taxes and benefits	1,170	-	1,170
Accrued expenses	(8,247)	-	(8,247)
Net cash (used in) operating activities	(122,169)	(21,772)	(143,941)
Cash Flows from Investing Activities			
Purchase of certificates of deposit	(55)	-	(55)
Purchase of property and equipment	(10,667)	(3,723)	(14,390)
Net cash (used in) investing activities	(10,722)	(3,723)	(14,445)
Cash Flows from Financing Activities			
Principal payments on long-term borrowings	(36,058)	-	(36,058)
Net cash (used in) financing activities	(36,058)	-	(36,058)
Net (decrease) in cash	(168,949)	(25,495)	(194,444)
Cash:			
Beginning	257,930	110,806	368,736
Ending	$ 88,981	$ 85,311	$ 174,292

See Accompanying Independent Auditor's Report

Schedule 4

Eliminations	Total
$ -	$ (334,466)
-	208,991
797,477	(102,516)
-	9,702
(797,477)	26,837
-	5,911
-	48,677
-	1,170
-	(8,247)
-	(143,941)
-	(55)
-	(14,390)
-	(14,445)
-	(36,058)
-	(36,058)
-	(194,444)
-	368,736
$ -	$ 174,292

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Directors
Community and Family Resources
and The Richmond Center
Fort Dodge, Iowa

We have audited the combined financial statements of Community and Family Resources and The Richmond Center (the "Organization"), as of and for the year ended June 30, 2012, and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial report was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Organization's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Organization's responses, we did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Organization, and other parties to whom the Organization may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Community and Family Resources and The Richmond Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
February 25, 2013

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Community and Family Resources
and The Richmond Center
Fort Dodge, Iowa

Compliance

We have audited the compliance of Community and Family Resources and The Richmond Center (the "Organization") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. The Organization's major federal programs are identified in Part 1 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organizations internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the Organization's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the Schedule of Findings and Questioned Costs to be a material weakness.

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Organization's responses, we did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Organization and other parties to whom the Organization may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Schnurr & Company, LLP

Fort Dodge, Iowa
February 25, 2013

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results

a. An unqualified opinion was issued on the financial statements.

b. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.

c. The audit did not disclose any noncompliance that is material to the financial statements.

d. A material weakness in internal control over major programs was disclosed by the audit of financial statements.

e. An unqualified opinion was issued on compliance with requirements applicable to the major program.

f. The audit did not disclose any audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).

g. The major program was CFDA Number 93.959 – Substance Abuse Prevention and Treatment Block Grant.

h. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i. Community and Family Resources qualified as a low-risk auditee.

Part II: Findings Related to the General Purpose Financial Statements:

II-A-12 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Organization's financial statements. One individual performs a significant amount of record keeping and also performs the reconciling functions for the office, including those related to its federal program.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Organization should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and officials.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the planned hiring of a CFO and division of duties will spread the record keeping and reconciling among various employees.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were reported.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 93.959: Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Year: 2012
U. S. Department of Health and Human Services
Pass-through the Iowa Department of Public Health

III-A-12 Segregation of Duties over Federal Revenues – The Organization did not properly segregate record-keeping and reconciling functions for revenues, including those related to its federal program. See item II-A-12.

Instances of Non-Compliance:

No matters were reported.

Part IV: Other Findings Related to Statutory Requirements and Other Matters:

No matters were reported.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Community and Family Resources and The Richmond Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
February 25, 2013